

U.S.-MOROCCO TRADE

Background

April 23, 2002

The United States and Morocco have been working closely together since 1995 to promote closer economic ties, freer trade and strong investment climates under a bilateral Trade and Investment Framework Agreement. As part of these discussions, the Moroccan government has requested that the United States and Morocco take the relationship to the next level and conclude a comprehensive free trade agreement.

The President's decision to pursue free trade with Morocco deepens our ongoing trade dialogue in the Middle East and builds upon the free trade agreements already completed with Israel and Jordan. The Administration's commitment to liberalized trade in the region supports the development of tolerant, open, prosperous societies. To move forward towards the goal of free trade between the U.S. and Morocco, the Administration will continue to work closely with Congress and will also seek input from the public on the proposed negotiation.

Promotes U.S. Exports: A U.S.-Morocco FTA would generate export opportunities for U.S. goods in a number of important sectors. Morocco has begun implementing an association agreement with the European Union (EU), which provides preferential tariff treatment for EU industrial exports to Morocco, putting American producers at a competitive disadvantage. Over the past six years, U.S. exports to Morocco averaged \$475 million annually, with leading exports including aircraft, corn and machinery.

As agriculture was largely excluded from Morocco's trade agreement with the EU, tariff elimination under a free trade agreement would give U.S. exporters significant tariff advantages over EU as well as other competitor suppliers. Commodities that would benefit from an FTA include U.S. wheat, feed grains, soybeans and soybean products. As Morocco grows economically and develops the infrastructure to handle perishable products, we would also anticipate expansion of U.S. meat and processed food product exports.

U.S. tariffs on Moroccan exports to the U.S. are already low or zero in many cases. Morocco exported \$450 million to the U.S. in 2001. Transistors, semiconductors, phosphates and other minerals, which make up a large share of Moroccan exports to the U.S., are already granted duty-free entry. Morocco is also a beneficiary of the Generalized System of Preferences, which grants duty-free access to the U.S. market in a broad range of product categories.

Supports economic reform and investment opportunities: The Moroccan government has undertaken a strong economic reform program, that has included the liberalization of the telecommunications sector and the establishment of an ambitious plan to develop the Moroccan tourism sector with the aid of outside investment. The Government of Morocco, with the public support of King Mohamed, has launched an initiative designed to streamline investment procedures and eliminate barriers to foreign and domestic investment in the Moroccan economy.

In addition to tariff elimination, an FTA with Morocco would include commitments to increased access to the Moroccan services sector for American firms. In addition to the telecommunications and tourism sectors, there are likely opportunities for U.S. firms in the energy, transport, financial services and insurance sectors.

The proposed free trade agreement would support Morocco's commitment to transparency, openness and the rule of law, and would include increased protection for intellectual property and specific provisions to encourage the development of e-commerce. An FTA would also support Morocco's efforts on environmental protection and labor, including the expansion of employment opportunities.

An FTA would be the capstone on a continuing, mutual effort to bring the U.S. and Morocco economically closer together. The U.S. and Morocco signed an open skies agreement in 2001, paving the way for closer passenger and cargo air links between the two countries, and American investors continue to benefit from the protections accorded under the U.S.-Morocco Bilateral Investment Treaty, in effect since 1991.